FOREIGN AGRICULTURE

A supertanker on the high seas

Lower Ocean Freight Rates Help U.S. Grain Trade

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One of the supertankers used to ship U.S. grains, oilseeds, and other bulk products. Availability of such vessels has improved in the last 2 years, following a 1973 crunch, according to article beginning this page.

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Lower Ocean Freight Rates A Boon to U.S. Grain Trade

By EDWARD I. REINSEL
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OCEAN shipping—vital link to overseas markets for U.S. farm products—has moved into calmed waters recently, following the heavy traffic and soaring freight rates of a few years back.

Then, ocean freight rates were on a rollercoaster ride that was to boost average charter rates as much as sixfold between the second quarter of 1971 and the last of 1973, while farm exports were being hampered by frequent shortages of ocean-going vessels. Since 1973, rates have retreated to more normal levels and the ocean fleet has been enlarged over that of 1973.

As recovery from the recent world recession continues, expanded demand for cargo space could again push up freight rates—indeed, increases have already been seen in some areas. In the meantime, farm trade—especially in bulk commodities like grains and soybeans—is benefiting from the lower rates and increased availability of ocean-going vessels.

When exports of U.S. farm products were relatively small, ocean freight rates and the availability of ships were lesser concerns. But with U.S. farm exports now bringing in more than three times the $6.7 billion worth shipped in fiscal 1970, changes in the maritime industry can strongly affect U.S. agriculture. To survive in the world market, agricultural exporters must make speedy deliveries of quality products at competitive prices—factors that all hinge in one way or another on ocean shipping.

Note: Ocean freight rates discussed in this article are based on reported shipping contracts for grain. They can thus provide an indication of change, over time, in charges for commercial shipments of grain. However, because some grain shipments are not covered, average rates reported should not be considered precise estimates. Noncommercial movements, such as on vessels owned by importing nations, are not reflected in the statistics. Nor are movements on private ships of grain trading firms. Finally, because grain needs of importing nations change from year to year and because infrequent trades were not included in the series, some important origins and destinations may be omitted in any given year.

U.S. grains and oilseeds are especially vulnerable to the ups and downs of the maritime industry, since they rank among the top U.S. agricultural exports and foreign markets take large shares of their total sales. Corn, wheat, and soybeans, for instance, are the major U.S. farm exports. Last fiscal year these three products alone brought nearly $12.5 billion of the total U.S. export value of $21.6 billion.

The U.S. Gulf ports are the major exit points for U.S. grains. In 1975 they accounted for nearly two-thirds of the corn, shipments, half of the wheat, and over four-fifths of the soybeans. Pacific ports handled another three-tenths of the wheat shipments but were relatively unimportant in exports of other bulk commodities. Atlantic and Great Lakes ports were the secondary export outlets for corn and soybeans.

"Ocean freight rates for these bulk grains have varied greatly in recent years and have been especially volatile since the late 1960's."

Because of their greater total volume, wheat exports exceeded soybean exports through all major port areas.

Ocean freight rates for these bulk grains have varied greatly in recent years and have been especially volatile since the late 1960's. For example, rates from U.S. Gulf ports to the Antwerp-Rotterdam-Amsterdam area, a major shipping route, have peaked three times since 1967.

These high points were followed by sharp declines, with the climatic high reached in the fourth quarter of 1973. From that quarter's alltime high average rates of about $16.60 per short ton, quarterly rates for this trade route then fell precipitously through mid-1975 to an average of about $4.50 per ton in

The SS Manhattan—a U.S. flag supertanker that periodically has been used to ship U.S. grains and oilseeds to foreign markets.

the third quarter of the year.

The decline in ocean charter continued throughout 1974 and much of 1975. Consequently, full-year 1975 rates averaged considerably lower than in 1974 for most trade routes.

However, significant differences in rates have existed for various trade routes. As expected, some rate differences relate to distances involved. For example, ocean rates for shipments from Gulf ports to India are generally more than twice those to Western Europe.

Rates also are affected by such factors as opportunities for return loading, likelihood of port congestion or disruption, port-related restrictions on ship size, loading and unloading facilities, traffic volume, and canal tolls. In some cases, such factors even outweigh distance.

Although the levels of ocean freight rates differ by origin and destination, cyclical variations often have been similar for major trade routes. For example, Gulf to Western Europe and Gulf to Japan rates seem to follow the same pattern. Rates for most trade routes were at record highs in late 1973 and most declined well into 1975. This tendency for rates to move together for the various trades would be expected with competitive bidding for commercial cargoes.

Why the sudden and steep declines in shipping 'rates? One reason is that the worldwide economic boom of the early 1970's had run out of steam by 1974, precipitating the most severe recession since World War II. As the recession's impact began to spread throughout the industrialized world, demand for imports—especially of industrial products —sank, depressing demand for the services of ocean carriers.

In addition, the introduction of supertankers in the petroleum trade, plus reduced movements of petroleum, tended to displace many older, less efficient tanker vessels.

At the same time, additional vessels were starting to come on stream as a result of expansion programs that apparently had been stepped up at the height of the economic boom. Since shipbuilding requires several years from the time decisions are made until the vessels are ready for service, this growth in the ocean fleet continued even in the face of worsening economies.

Thus, by 1975, the merchant fleet stood far above that of a decade and a half earlier. Total capacity of tankers was up to more than 283 million long tons in 1975 from less than 63 million in 1960 and is now about equal to that of all other type vessels combined. While usually used to carry petroleum and other liquids, tankers also transport grain.

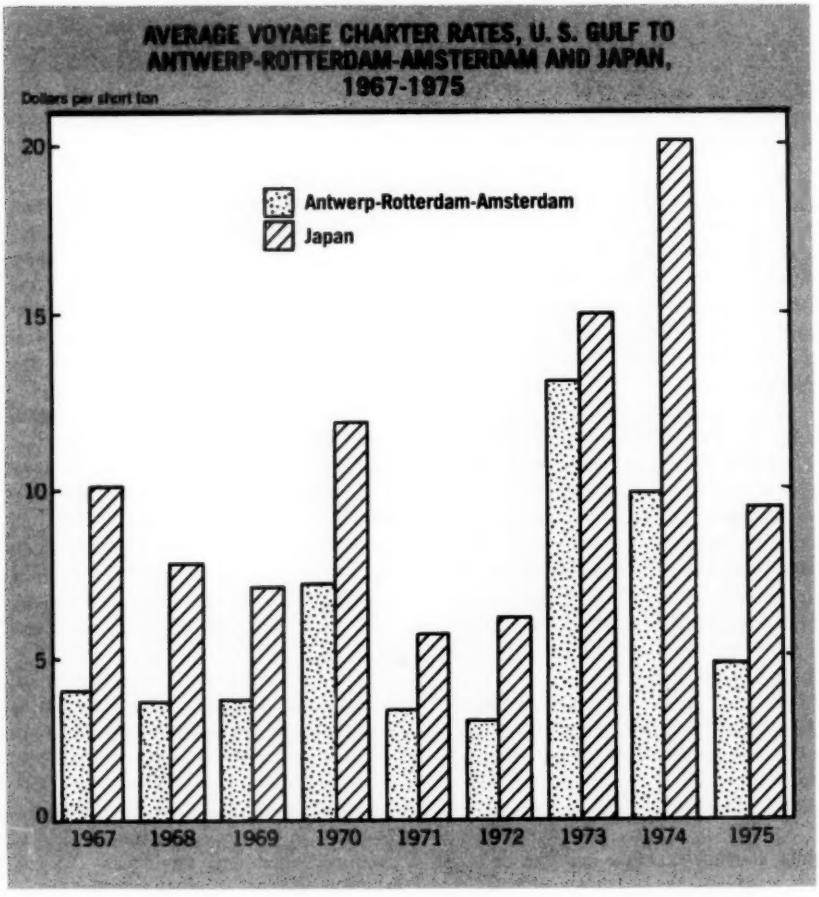
Bulk carriers account for a smaller share of fleet capacity than tankers—about 28 percent. But their relative increase has been even more dramatic—up from about 13 million tons in 1960 to 145 million in 1975. Bulk carriers typically carry grains, ores, and dry chemicals, including fertilizer.

WORLD MERCHANT FLEET, 1960-75[1]

Year[2]	Freighters			Bulk carriers			Tankers		
		Tonnage			Tonnage			Tonnage	
	Number	Average	Total	Number	Average	Total	Number	Average	Total
	Thous.	*1,000 long tons*	*Mil. long tons*	*Thous.*	*1,000 long tons*	*Mil. long tons*	*Thous.*	*1,000 long tons*	*Mil. long tons*
1960 ...	9.5	7.3	70	1.2	11.0	13	3.3	19.1	63
1961 ...	9.6	7.4	71	1.3	11.8	16	3.3	19.9	65
1962 ...	9.7	7.5	73	1.6	12.5	20	3.3	20.7	69
1963 ...	9.8	7.5	74	1.7	13.8	24	3.3	21.8	73
1964 ...	9.8	7.6	74	1.8	14.4	26	3.4	23.7	81
1965 ...	9.8	7.6	75	2.0	16.0	32	3.5	25.3	89
1966 ...	9.9	7.7	77	2.1	18.1	38	3.6	27.1	98
1967 ...	10.0	7.7	77	2.4	21.0	50	3.7	28.4	105
1968 ...	10.2	7.7	78	2.6	23.0	60	3.9	30.2	117
1969 ...	10.2	7.8	80	2.7	24.3	68	4.0	32.9	133
1970 ...	10.4	7.8	82	3.0	26.1	77	4.2	36.4	153
1971 ...	10.6	7.9	84	3.2	28.2	91	4.4	39.3	173
1972 ...	10.8	8.0	86	3.5	30.7	109	4.5	42.3	192
1973 ...	10.9	8.0	87	3.8	33.2	126	4.8	46.0	220
1974 ...	11.2	8.1	91	4.1	34.2	139	5.1	51.3	261
1975 ...	11.1	8.1	91	4.2	34.8	145	5.2	54.4	283

[1] Excludes U.S. Government-owned vessels. [2] All years are as of Dec. 31, except 1975, which is as of June 30.

Source: Merchant Fleets of the World, U.S. Department of Commerce, Maritime Administration.



In contrast, the capacity of freighters, which are less important grain carriers, rose only about 10 percent between 1960 and 1974.

While numbers of tankers and bulk carriers were both up sharply, most of the increase in fleet capacity was due to greater vessel size. For example, tanker size averaged only about 19,000 tons in 1960 but exceeded 54,000 tons in 1975. Bulk carriers were up from an average of 11,000 tons to nearly 35,000 tons in the same period. Average freighter size gained less than 1,000 tons per vessel.

On the other hand, the total number of privately owned U.S. freighters, bulk carriers, and tankers in 1975 was 576, down nearly 40 percent from 953 in 1960. This reduced U.S. freighters from 6 percent to less than 3 percent of the world total. In the same period U.S. bulk carriers declined from about 5 percent to less than 0.5 percent of the world bulk carrier fleet, and U.S. tankers declined from 10 to 5 percent of all tankers.

Some of the reduction in the U.S. fleet was offset by an increase of about 140 percent in vessel size. However, because fewer additions were made to the U.S. fleet, average size of U.S. vessels increased less than that of foreign vessels.

Grain sales to the USSR have specified use of American ships to carry a percentage of the cargo. However, rates for these U.S. flag vessels (tankers) are usually higher than those for ships under foreign registry. This rate differential, plus the limited capacity of the U.S. bulk fleet, may help explain why U.S. grain movements in general have been dependent on foreign flag vessels.

INSPECTIONS OF MAJOR U.S. GRAINS FOR EXPORT BY PORT AREA, CALENDAR 1975[1]

Port area	Corn	Wheat	Soybeans	All grains
	Percent	*Percent*	*Percent*	*Percent*
Great Lakes ..	8.7	11.5	12.6	10.2
Atlantic ..	23.1	7.0	11.0	13.6
Gulf	67.8	51.5	76.4	64.6
Pacific ...	0.4	29.9	(1)	11.6
Total	100.0	100.0	100.0	100.0
	Mil. bu.	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*
Total volume	1,292	1,143	456	3,159

[1] Less than 0.5 percent. Source: Grain Market News, AMS, USDA.

Asst. Secretary Bell Outlines Palm Oil/Soybean Problem

THE UNITED STATES is the world's largest producer and exporter of oilseeds and oilseed products. Also, over the years, the United States has been a strong advocate of freer world trade in oilseeds and products.

Exports are crucial to the well-being of the American farmer. In 1975, cash receipts to farmers from the sale of oilseed crops totaled $8 billion. Oilseeds were second only to grains as a cash crop.

In fiscal 1976 the United States expects to export $4.2 billion worth of oilseeds and oilseed products.

Production of vegetable oil in the United States is mostly from soybeans and cottonseed. In 1975, these two oilseeds accounted for nearly 90 percent of total U.S. vegetable oil production and nearly 75 percent of total U.S. production of edible fats and oils, including animal fats such as butter, lard, and edible tallow.

Soybean oil is by far the dominant vegetable oil produced and used in the United States. In 1975, it accounted for 80 percent of total U.S. vegetable oil production, and 65 percent of total U.S. production of edible fats and oils.

Soybean and cottonseed oil are joint products. In other words, the oil is one of two products derived from the crushing of soybeans or cottonseed. The other product is vegetable protein, usually in the form of oil cakes and meals used in the feeding of livestock.

The meal and cake produced from U.S. oilseeds—particularly soybeans—are important to livestock production not only in the United States but also in Canada, Western Europe, and Japan. Western Europe imports about 80 percent of the protein supplement it feeds to livestock. Japan imports about 90 percent. Most of those imports are U.S. soybeans or meal.

While the United States is the world's largest producer and exporter of oilseeds and oilseed products, it is also a substantial importer of vegetable oils, particularly from tropical areas. During the 5 marketing years from October 1, 1969, through September 30, 1974, U.S. annual imports of edible fats and oils averaged 1,084 million pounds and accounted for 9.6 percent of all fats and oils used for food in the United States.

The vegetable oil imported during this period included coconut oil, palm oil, palm kernel oil, and olive oil. Imports of palm oil were relatively modest, accounting for about 27 percent of all imports and 2.6 percent of all fats and oils used for food in the United States.

However, imports of palm oil increased dramatically during the 1974/75 marketing year, more than doubling those of the previous marketing year. Imports reached 757 million pounds in 1974/75, compared with 346 million pounds in 1973/74 and a 5-year average of 296 million pounds for the period from October 1969 through September 1974.

Palm oil imports are expected to increase even further in the current 1975/76 marketing year—reaching a record 900 million pounds and accounting for 7.7 percent of all edible fats and oils used for food.

PALM OIL has the physical and chemical characteristics to allow it to be used in a wide variety of ways. In the past, however, it has been mostly used in the United States for shortening. For example, in 1974 nearly 90 percent was used for shortening.

Recent research work, however, has successfully fractionated palm oil, resulting in a liquid oil comparable to peanut or olive oil in consistency and melting characteristics. This means that palm oil will be able to penetrate the cooking and salad oil market, a major market area from which it previously was excluded.

One inherent drawback of palm oil, however, is that it is a saturated oil, despite its being a vegetable oil.

World palm oil production in calendar 1976 is expected to approach 7 billion pounds—nearly double the production in 1970.

Part of the expansion in world palm oil production during the past several years has been brought about by loans from international lending institutions such as the World Bank. Some 32 such loans have been made for palm oil production and processing facilities since 1965.

Much of the palm oil produced from plantations and facilities financed by international lending institutions has gone into export.

The Agriculture Department is not opposed to the United States helping developing countries develop their agricultural economies. In fact, we support, and are very much in favor of such help. However, such efforts should be directed primarily at helping raise food production in countries that are chronically food-deficit.

Extreme caution should be taken when providing assistance for production aimed at export. In such circumstances, care should be taken to avoid disrupting markets of other exporters.

The recent sharp increase in palm oil exports undoubtedly has had the same impact on Philippine coconut oil and Brazilian soybeans as it has on U.S. soybeans and cottonseed.

The increase in world palm oil production during recent years has been heavily concentrated in Southeast Asia, particularly Malaysia and Indonesia. Production in West Malaysia alone is expected to approach 3 billion pounds in calendar 1976—2.1 billion pounds or 235 percent more than in 1970.

About 85 percent of the increase in world production of palm oil during the past 5 years has gone into export. Over 90 percent of the increase in Malaysian and Indonesian palm oil production has gone into export since 1970.

Production and exports of palm oil from Malaysia and Indonesia are expected to continue to increase in the decade ahead. The gains in West Malaysia are expected to be particularly sharp. Only about 60 percent of the newly planted oil palm trees in West Malaysia are at an oil-bearing age. The remainder will begin to bear during the next 4 to 5 years. Oil palm takes 4 to 5 years to reach oil-bearing age. It reaches peak production after about 10 years. It is commercially productive for 30 to 35 years.

Oil palm is highly productive. Oil palm trees yield 4,000 pounds or more of oil per acre. This is in contrast to soybeans, which in the United States yield about 300 to 310 pounds of oil

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Based on statement by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, before the House of Representatives Subcommittee on Oilseeds and Rice in mid-March.

Iraq and Syria Show Potential As Markets for U.S. Soybeans

By JAMES ISO
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SINCE the 1973 boost in petroleum prices lifted their spending power, Iraq and Syria have embarked on vast programs to improve their levels of diet and living. One result has been growing interest in soybeans and soybean meal for use in food and feed including some imports of U.S. soybeans and products.

Further growth in this soybean import trade seems possible if the several obstacles to expansion can be overcome.

One obstacle is the still-low recognition of soybean meal as a valuable ingredient in commercial feeds. This handicap seems likely to diminish as technical guidance and education programs are introduced. The protein need is particularly acute in the livestock feed area.

Another problem is the lack of oilseed crushing and storage facilities in both Iraq and Syria. Although programs for construction of crushing plants and silos near ports are underway, it probably will be some time before large imports could be handled.

U.S. exporters also need to learn the modus operandi of trade in the two nations. In Iraq, for instance, the Government is the sole purchaser of all commodity imports, and direct transactions with local tradespeople do not take place. By picking up the numerous small orders in expectation of greater opportunities to come, European businessmen so far have been most successful in these markets.

For soybeans per se, Iraq has imported both soybeans and their products while Syria's purchases have been largely limited to soybean meal. Although these are not large markets, current expansion in usage on a steady basis—particularly of soybean meals in poultry feeds—should keep soybean trade heading upward, with increased chances for U.S. participation.

Iraq. A nation about the size of California, with a population of 10.3 million, Iraq is using some of its petro wealth to achieve rapid expansion in industry and agriculture. The country also has become a market for U.S. farm products since the mid-1973 partial lifting of a boycott on U.S. goods. From only $23.3 million in 1972, total U.S. exports to Iraq soared to $284 million by 1974, with farm products accounting for $114 million of that trade.

Last year, these farm imports dipped to $86 million, but Iraq still was an important Mideast market for U.S. agricultural products. Leading items in that trade were wheat, totaling 80,000 tons, and rice, at 150,000 tons.

U.S. sales of soybean products have been less successful so far, with Brazil holding the largest share of the market. Last year, for instance, Iraq purchased 20,000 tons of Brazilian soybeans and a small amount from Thailand. (A late 1975 purchase contract with Brazil, however, reportedly did not materialize.) The country also bought about 20,000 tons of soybean meal—6,000 tons from the United States.

This year, Iraq is projected to import about 50,000 tons of soybeans, with pricing determining the source of supply. Iraq's 1976 meal needs for livestock feed are estimated at 35,000-40,000 tons, of which about 25,000 tons will be imported.

These needs are seen expanding 200,000 tons by 1985, although the Government hopes that most of the meal can be obtained from domestic sources as a result of efforts now underway to boost soybean production to 60,000 tons by 1985. That program still is in its infancy, but Government researchers have concluded that climate, soil, water, and other conditions in the northern territories make Iraq one of the Mideast's best-suited countries for soybean production.

Domestic crushers of imported soybeans expect in the interim to partially satisfy the country's soybean meal needs. However, crushers' output so far has lagged behind demand. For example, of the 14,000 tons of domestically crushed meal promised for delivery by mid-1975, only 9,000 tons were actually delivered.

Feed manufacturers further state that local meals may fall well short of future needs unless large increases occur in domestic crushing capacity.

Iraq's potential as an importer of soybean oil is not as great as for soybeans and meal. Second only to Iran among oilseed processors in the Mideast, Iraq processes 100,000-150,000 tons of edible oils annually. About 70 percent of the oil found in finished products is palm oil, nearly 20 percent is cottonseed oil, and slightly less than 10 percent is soybean oil.

MEANTIME, the Government's ambitious livestock development programs have moved from the drawing boards to construction projects carried out with the help of foreign engineering contractors and technical consultants. Sizable sums are being spent on these projects. About $300 million is programmed for the poultry industry alone this fiscal year.

Plans call for production in 1977 of 1.4 billion eggs, and 800 million broilers, and an output by 1980 of 1 million tons of feed. If it reaches the 1977 production targets, Iraq will have attained its goal of making 120-150 eggs and 17-20 pounds of poultry meat available per person in that year.

Since private poultry enterprises have not been permitted to operate on a large scale in Iraq, the expansion program is largely the responsibility of three regional Government poultry centers.

Domestic output of eggs last year totaled a still-modest 82 million (against 75 million in 1974) while 7 million broilers were produced (5 million in 1974).

Similarly, per capita consumption of poultry meat in the recent past averaged only 3.3-4.4 pounds a year, compared with 49 in the United States. And that of eggs has averaged around 55 eggs, in contrast to U.S. per capita consumption of 278.

Red meats—lamb, mutton, and some beef—heretofore have been more widely consumed than poultry products, but their consumption has also been limited

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Mr. Iso and Dr. Keith Smith, feed nutritionist of the American Soybean Association, recently completed a tour of selected Mideastern countries to analyze their potential as importers of U.S. soybeans and products. This report focuses on two of those countries.

by high prices alongside still-low per capita incomes.

To make up for its protein deficiencies, Iraq has recently been importing substantial amounts of frozen meat from New Zealand and eggs from Europe.

The Government also is focusing on developing a feed industry and upgrading feed nutrition capabilities sufficient to meet enlarging feed needs.

Production of scientifically formulated feeds has risen from 70,000 tons in 1974, the first year of production, to 80,000 in 1975 and is projected to reach 150,000 during 1976. Far the largest share—55,000 tons in 1974—is going into poultry feed.

Only two Government feed manufacturing plants are now operating, but five are under construction and eight more are expected to be on stream by 1980. Each of the 15 mills should have a production capacity of 20-30 tons per hour. The mills were designed and constructed with the help of foreign equipment manufacturers and reportedly will be highly sophisticated. By and large, these are "turn key" projects, with the technical capabilities to operate them achieved through training programs of foreign contractors.

Iraq also plans to boost its storage and transport facilities by:

- Increasing silo storage capacity some 71,000 tons by 1980.
- Importing some cargo via Jordan's port of Aquaba under a recently negotiated roadway arrangement with Jordan.
- Making better use of its roadways to compensate for an inadequate rail system. (Toward this end, Iraq has purchased 20,000 20-ton truck-trailer units from West Germany in the past 2 years.)
- Expanding storage capacity at ports, oilseed crushing plants, harvest areas, and other sites.

Iraq's coastline is minimal and the one major port, Basrah, on the Persian-Arabian Gulf, has only 60,000 tons of grain storage capacity. Most grains and meals thus have had to be imported in bags, a costly process.

Syria. Until recently, Syria had never imported soybeans or soybean oil. Its first purchase of soybean meal from abroad—13,000 tons from the United States—occurred in 1974, and another 27,000 tons of meal is expected to be imported in 1976.

Syria's two key edible oil crops are olive oil, drawn from the country's 6 million olive trees, and cottonseed oil, which is less expensive and more commonly used. Almost 90 percent of the 225,000 tons of cottonseed produced in 1975 was crushed for oil.

Though presently soybean production is of no consequence, the Government is reportedly test planting varieties that may be suited to Syria's climate and soil. The 1976-80 5-year plan calls for additional soybean farming on an experimental basis. The Government considered imports of some soybeans and oil last year but apparently found prices uncompetitive with those for domestic oils. Soybean prices have since fallen, but import demand is still lagging—apparently because of greater domestic use of Syrian olive oil.

All of the 13,000 tons of soybean meal imported by the Government in 1974 went to poultry producers at low, subsidized prices and on easy credit terms. A tender for 8,000-10,000 tons was issued again in January 1976, with followup tenders expected in the months to come. The quality of the imported meal was reported as good and local users were satisfied. On the average, soybean meal constituted about 20 percent of the ingredients used.

The outlook for increased imports of soybean meal looks more promising. Syria, like Iraq, is moving rapidly to expand its poultry and livestock industries, and much effort is being directed to achieve advanced feed technology and poultry production.

Two highly advanced poultry production facilities already are operating in the vicinity of Damascus. Seven more are due for completion this year in other areas. All are Government-run and geared largely to egg production. Private poultry farms, though smaller, are also expanding rapidly.

As in Iraq, mutton makes up a major part of Syrian meat consumption. Demand for poultry meat has risen dramatically, however, with increased availability and lower prices helping diminish the product's onetime image as a high-priced luxury food.

POULTRY feed accounted for 80 percent of the estimated 100,000 tons of commercial feed production in 1975. Most of the feed was mixed on farm or manufactured at small private plants —no large Government feed manufacturing plants were yet operational. Feed output should gain considerably this year when a private plant near Aleppo, with an annual capacity of 75,000 tons, comes on stream.

All feed ingredients are imported by the Government's General Organization of Fodder.

Like Iraq, Syria is embarked on a crash program to boost offloading and storage capacity at its ports. Under this program 15 new silos are being built this year for a 500,000-ton gain in capacity from the 200,000 tons of 1974. But even this 700,000 tons of capacity is considered insufficient, since Syria's domestic consumption of wheat and barley was 1.2 million tons last year.

Most of the silos are being constructed at the Mediterranean ports of Tartus and Latakia. Movement of cargo from port sites has been primarily by truck, but plans are being made for a railway system from Latakia to key distribution areas.

Iran Boosting Wheat Storage

Iran has launched a program that will nearly triple its wheat storage capacity by the early 1980's. Under its Fifth Development Plan, Iran intends to construct enough silos to boost its wheat storage capability from the present 700,000 tons to about 2 million.

The plan originally called for completion of the storage project by the end of 1978, but a general slowdown in economic growth and other problems have hindered the overall implementation of development programs.

Ground was recently broken for the erection of a 100,000-ton wheat silo in Shiraz. Silos with the same capacity are slated for five other major cities: Tehran, Isfahan, Tabriz, Mashad, and Ahvaz. Seven smaller cities—Kerman, Qazvin, Rasht, Kermanshad, Rezaieh, Bandar Abbas, and Sari—will receive 50,000-ton silos, and 14 other towns are expecting silos with 25,000-ton capacity.

Iran consumes about 6 million tons of wheat annually—domestic production accounts for approximately 4.5 million and imports, the remainder. The United States sold more than 1.7 million tons of wheat to Iran in fiscal 1975. Iran plans eventually to have as much as a 6-month supply of wheat in reserve, which would require a storage capacity of about 3 million tons.

—By MICHAEL E. KURTZIG, ERS

1975's U.S. Poultry Exports High; '76's Should Match

By DAVID R. STROBEL
Foreign Market Development, Dairy and Poultry
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POULTRY EXPORTS by the United States in 1975—valued at $154 million—continued the 1973 recordbreaking trend. The 1975 export value was 16 percent higher than the $133 million of 1974. And the outlook for 1976 is equally good.

Poultry meat exports were up 21 percent in value and continued to be the most important export item—over 60 percent of total export value.

Exports of all turkey items increased in 1975—a change from 1974 when some items decreased. These figures reflect an export response to a cut in turkey production in other countries as the result of the cost-price squeeze. They also indicate that U.S. exporter efforts and cooperative industry/U.S. Government overseas market development programs to educate importers and users to the economy and versatility of turkey meat—particularly further processed items—are showing results.

Nineteen hundred and seventy-five was a good year for U.S. poultry exports to the European Community, amounting to $31 million, up 17 percent from those of 1974. Of this value, $21.6 million was turkey meat.

These figures are not an indication that the EC has changed its high, protective gate price, variable-supplementary levy import system, or that it has modified the inequities in the system's application. They primarily reflect significant turkey production cuts as a result of the cost-price squeeze. This necessitated the lowering of elements within the system to permit U.S. uncooked product entry into the European Community to satisfy the holiday demand.

The EC continues to use its levy system to protect its internal market from outside competition and to maintain internal price levels so that even inefficient producers can stay in production.

From January 20, 1975, through February 3, 1976, the EC changed the total import charges on uncooked turkey drumsticks and turkey thighs—the most important U.S. items to that market—five times and eight times, respectively. This "yo-yo" situation in itself makes it difficult for U.S. exporters. In addition, import charges may change while U.S. product is en route.

Total import charges for U.S. drumsticks and thighs exported to West Germany—still the largest poultry meat import market and the largest market for U.S. product within the EC—are now 18.6 and 40.6 cents per pound respectively.

The EC import duty on U.S. cooked products is bound under the General Agreement on Tariffs and Trade at 17 percent ad valorem. The U.S. exporter has a wide range of such products to offer that cannot be matched within the EC. It is encouraging that the export of cooked products to the EC, although still relatively small compared to the export of uncooked turkey parts, continues to increase with an excellent growth potential still to be developed.

Exports of poultry meat to the United Kingdom—a relatively new EC member country—increased in 1975 to over $6 million, compared with $3 million in 1974. Uncooked whole turkey exports increased from $246,000 in 1974 to $1.7 million. The increased whole bird shipments reflect the severe U.K. turkey production cutback because of increased costs. The United Kingdom is one of the important turkey producers in the European Community.

As reported in a British trade paper, a U.K. grocery-store chain manager stated last fall that housewives would be paying 87-91 cents per pound for domestically produced Christmas turkeys. Reportedly, he further stated that to be profitable the store price should have been 95 cents to $1.01 per pound. The U.K. broiler retail price at that time was 59 cents per pound. The United Kingdom is still the lowest-priced food market within the EC.

U.S. Agricultural Attachés reported December retail broiler prices in the remaining EC countries ranged from 89 cents per pound to $1.02 per pound. Turkey prices were not reported but were probably as relatively higher to broiler prices, as they were in the United Kingdom. The EC consumer is still paying a high cost for the protective levy system.

The U.K. protection level will not reach that of the original EC-6 until 1977. Even though U.K. 1976 turkey production will be higher than 1975's for the first half of 1976, it should be a good market for both U.S. cooked and uncooked products. An encouraging factor is that the 1975 export of turkey parts to the United Kingdom amounted to $3.7 million, up 50 percent from 1974's. A high percentage of product within this category is cooked product.

The levy will be increased toward the 17-percent bound EC level but U.K. imports may grow at a faster rate than for the rest of the Community.

For the last few years, there have been only limited promotion efforts in Switzerland, with emphasis on turkey products. Importers have been seeking much closer calibration of product to satisfy user needs than that normally done in the United States.

For 1975, the export of turkey products to that market amounted to over $1 million, compared with $402,000 for 1974, indicating that U.S. firms can now satisfy Swiss requirements. U.S. firms are now sending turkey schnitzels that have surpassed Swiss expectations.

This is an example of what can be done throughout the world when the U.S. supplier is willing to make special efforts to meet foreign customer needs and such efforts are encouraged and assisted by the cooperative industry/U.S. Government market development program—and when the importing countries do not deny product entry.

IN GENERAL, 1975 was also a good year for U.S. poultry and egg product exports to the Far East. U.S. products have ready access to Singapore and Hong Kong, and although the tariff levels maintained by Japan are higher than necessary, they are not prohibitive. Japan also requires import licenses but to date these have been issued readily.

In 1975, $25 million worth of U.S. poultry and egg products went to Japan, compared with $16 million in 1974. The major items continue to be chicken parts—principally chicken legs. However, 1975 saw two significant changes in this market.

U.S. exports of turkey meat increased from $372,000 in 1974 to $613,000 in 1975—still a small amount, but it indicates the beginning of what is believed to be a breakthrough for turkey products. Egg product exports amounted to $5.8 million compared with $2.3 million for 1974. If official and unofficial restrictions are not applied, the growth of these new items should continue.

The 1975 growth in the Japanese market for U.S. product made it the second most important single country export market for the U.S. poultry industry. Although poultry production in Japan will most likely be higher in 1976 than in 1975, imports should continue to increase.

A Japanese food service company, carrying out mass feeding operations in 131 outlets, recently showed interest in introducing turkey meat on a large scale into its menu.

Okinawa, although now again part of Japan, continues to be, and should remain, an excellent market for U.S. poultry products. Currently, approximately 80 percent of U.S. exports of chicken meat to that market are reportedly drumsticks. However, last year chicken sausage was introduced with the reportedly excellent reception resulting in container load reorders.

An Okinawan company, processing an extensive line of canned meat products, produces a chicken luncheon loaf using U.S. chicken meat—fowl, breast, and thigh meat, combined with broiler neck skin. U.S. products are now being imported by the container load. This is an excellent example of the type of overseas operation that, if properly serviced, can be an important export outlet to any firm which has made export part of its total marketing.

Only 4 years ago, the Government of Singapore was following a policy of encouraging domestic production, protected by a high import duty. Following an apparent decision that the cost to consumers takes precedence over domestic production, the Government switched its policy, including the import duty removal. The export of U.S. product to this market reflects this change in Singapore's policy.

The export of U.S. poultry meat to Singapore increased from $2 million in 1974 to $5 million in 1975. Comparable figures for 1972 and 1973 were $298,000 and $650,000, respectively. The principal export item is chicken parts. In addition to parts, Singapore would be an important and growing market for U.S. whole broilers if they were not faced with subsidized competition, principally from Denmark.

Last November, Danish broilers were being sold c.&f. Singapore for 54 cents per pound, with Dutch broilers 1 cent above the Danish price. At the same time, Danish wholesale broiler prices ranged from 57-90 cents per pound, depending on weight. The Dutch broiler price at the German border ranged from 52-61 cents per pound.

IT SHOULD BE noted that the announced EC 3.5-cents-per-pound whole-broiler subsidy is officially limited to exports to the Near East/Persian Gulf area. It is obvious that U.S. exporters cannot develop to its full potential this market for U.S. product under such conditions.

Exports of U.S. turkey meat to Singapore are beginning to increase—amounting to $326,000 in 1975. All major Singapore supermarkets have an extensive U.S. turkey product line. In addition, U.S. turkey and chicken products are now being used to cater airlines moving through Singapore—27 airlines serving 10,000 meals per day. The quantity being used is small but the growth potential is great.

Singapore is also an important and growing market for product transshipment to Indonesia.

The stability of the Indonesian Government, combined with the growth in such activities as oil production and mining, makes Indonesia a market with a future for U.S. poultry and egg products. The 65-percent ad valorem import duty on poultry products is excessive but product is moving. Currently, Indonesia lacks refrigerated storage facilities to handle container shipments. Until this situation changes, the best way to service Indonesia is by transshipments from Singapore. Singapore was the sixth most important individual country market for the U.S. poultry industry in 1975.

Although dropping 7 percent in value, 1975 shipments of U.S. poultry and egg products to Hong Kong, worth $10.6 million, made it the fourth most important individual country market. The drop reflects a slower than anticipated improvement in economic conditions. The most important U.S. export item to Hong Kong continues to be chicken parts—principally chicken wings. The total value of U.S. exports was down, but the value of turkey meat increased by 5 percent, and exports of U.S. shell eggs—that first entered the market in 1974—continued to be important.

In addition to the general economic condition, U.S. exports to Hong Kong were affected by West German and Dutch chicken wings, reportedly being offered at 20 percent less than U.S. wings. U.S. wings demand a maximum 10 percent premium. With the large differential favoring the EC wings, the smaller white EC wings sold. Hong Kong consumers still prefer the large, yellow U.S. wings. By cutting its price to a point 20 percent below U.S. wings, the EC increased its market share at the expense of the United States. The United States is still the major wing supplier with 64.8 percent of the import wing market—a drop from 76.2 percent.

The Danes and Dutch are also subsidizing whole broilers to Hong Kong with prices last fall being 54.8 cents per pound, compared with U.S. offers of 59 cents. Another factor in the whole broiler market is the availability of People's Republic of China (PRC) frozen whole broilers. The PRC product has been improved in quality and packaging and is selling for 50 cents per pound. Although the PRC bird is small, its sale price is attractive.

In mid-1974, quality-packaged U.S. shell eggs were introduced to the Hong Kong market with amazing success. In 1975, 1.8 million dozen U.S. eggs moved to Hong Kong, valued at $931,000. During a December visit to that market, it was learned that U.S. shell eggs were faced with Canadian competition. Canadian table eggs were priced at 12-15 percent below the U.S. price.

U.S. monthly export statistics, beginning in October 1975, reflect this Canadian activity. For the months of October, November, and December 1975, U.S. shell egg exports to Hong Kong were 262,000 dozen, 98,000 dozen, and 61,000 dozen, respectively, compared to 406,000, 319,000, and 205,000 dozen for the same months of 1974.

Part of the decrease can be attributed to the general economic condition, but certainly the principal reason was the availability of the lower priced Canadian eggs. At the time that Canadian eggs were being offered at 12-15 percent below U.S. shell eggs, west coast U.S. grade A large eggs ranged from 64 to 78 cents per dozen, compared to an average Toronto and Montreal whole-

sale price for grade A large of 83.5-87.7 cents per dozen.

With improved 1976 conditions in Hong Kong, the United States can look for market recovery. U.S. shell eggs will at least stay on the market, turkey meat sales will increase, and a significant improvement will take place in chicken meat sales.

The Caribbean area remained in 1975 an important market for U.S. poultry and egg products. Exports of U.S. shell eggs increased 6 percent in value to $669,000.

Unless there are significant changes, including more restrictions against U.S. imports by individual islands comprising this large area, it should remain a good market for shell eggs and chicken parts. With the return of tourism, an increase in U.S. sales of all turkey products can be expected. Even with the 1975 drop in tourism, $1.2 million worth of turkey meat moved to the Caribbean.

As an individual country market, Canada was No. 1 in 1975, taking $28.6 million worth of U.S. poultry meat products. The restrictive Canadian action against imports of U.S. shell eggs, egg products, and turkeys limits development of that market for U.S. exports to the full potential that would exist under a free trade system. The future for the United States in that market remains to be determined. Principal factors that will decide U.S. access are final agreement on egg quotas; whether or not adjustments are made in the Turkey quota; and whether or not additional import restrictions are placed on other poultry products.

Thus far, no Canadian action has been taken against the import of U.S. chicken meat. Exports of U.S. chicken meat in 1975 amounted to 10 million pounds, compared with 7.8 million in 1974—value increase from $3 million to $5 million.

The Near East—and Persian Gulf—still remains an important potential market for U.S. poultry and egg products.

Plus factors for the U.S. poultry industry in the export market are the extensive line of U.S. products available; industry ability to fill large, selective, parts orders and to tailor product to any user need; more and more companies making export part of their total marketing; and cooperative industry/U.S. Government market development activities. This combination cannot be equaled by any other country.

Western Canada's Packers Question Rail Grain Rates

By Q. MARTIN MORGAN
Foreign Commodity Analysis—Dairy, Livestock, and Poultry
Foreign Agricultural Service

ALTHOUGH Canadian and U.S. livestock industries share many common production and marketing experiences, western Canada's livestock industry in 1976 faces some unique challenges that may influence competition between the two countries in livestock and livestock products, including exports to third countries as well as sales in North America.

Feed costs, rail freight rates, and unused capacity of slaughter plants in western Canada received more than the usual degree of attention at the recent annual meeting of the Meat Packers' Council of Canada, at Edmonton, Alberta.

Western livestock feeders contend that rail rates require them to pay disproportionately high charges—compared with rates on grain—to ship their meat and meat products.

Western livestock feeders claim they are paying as much as 50 cents per bushel more for barley than they would be charged if freight rates were structured on an equitable basis, the feedgrain freight assistance subsidy eliminated, and the import duty on corn removed.

This figure includes an estimated 25-cents-per-bushel subsidy embodied in the Crow's Nest Pass (location of the 1895 conference that set lower rates for certain commodities in exchange for land grants) rates for grain, a 17-cents-per-bushel subsidy on feedgrain shipped to eastern Canada, and an 8-cents-per-bushel import duty on corn.

Livestock feeders are hardest hit in their feedgrain purchases when world (export) prices are strong and are least affected when there is diminishing strength in export prices for grain.

Although most of the feedgrain utilized in western Canada is sold privately, feeders criticize the Canadian Wheat Board's marketing of barley and oats as being a monopolistic system that prevents them from buying feedgrains from local sources at street prices.

Feeders say they cannot buy feedgrains at local elevators in the Prairie Provinces based on the Winnepeg Exchange price less cost of moving the grain to Thunder Bay plus a small elevator charge.

Grain producers, on the other hand, will not sell grain much, if any, below their anticipated total returns for sales through the Wheat Board. Thus, street prices for feedgrains are relatively high when export prices are strong.

In addition, western livestock interests say the Crow's Nest Pass concessional rate on grain from the Prairie Provinces to Thunder Bay, Vancouver, and Churchill (export points) results in higher rates for other items—including meat and meat products—that western Canada would like to process and ship in larger quantities to eastern Canada and to export.

Western Canada's livestock owners and operators believe it is high time for a reworking of Canada's overall rail rate structure, with particular emphasis on an equalizing of commodity rates.

However, from a practical point of view western livestock producers are outnumbered by other interests, such as the livestock industry of eastern Canada, grain producers, and the Canadian Wheat Board, all of whom appear to favor continuation of present policies with very few modifications.

The high level of grain prices in Canada during the past 2 years affected hog production as well as cattle feeding operations, especially in western Canada. Most of the decrease in Canadian hog slaughter during 1975 occurred in western Canada.

Declines in hog marketing during 1975 amounted to 15 percent nationally and 28 percent in western Canada. Even though Canadian hog production on the whole appears to be profitable, western hog farmers, including those who have discontinued operations but still produce grain, are reluctant to feed high-priced grain to hogs.

The decline in hog marketing in western Canada in 1975 contributed to the idling of appreciable slaughter plant capacity in western Canada. Increased slaughter of cows in fall 1975 somewhat alleviated the shortage of slaughter animals. However, it is anticipated that by summer, Alberta's slaughter plants may be operating at half-capacity on the basis of an 8-hour day.

Since the United States and Canada returned to an open-border policy for beef and veal trade on January 1 (quotas on two-way trade in cattle and hogs having been removed in August 1975), the feedgrain situation in Canada must be taken into consideration in any assessment of the prospective levels of trade in live animals and red meat between the two countries.

The same situation applies to competition between the United States and Canada in third-country markets—particularly pork markets.

The Canadian pork situation is unique in several respects. Hog marketings are largely controlled by marketing boards —particularly the boards in Alberta, Manitoba, and Ontario. As a result of the marketing practices of the boards, foreign trade in market hogs between Canada and the United States moves in one direction—south.

However, pork trade between the countries moves in response to market prices that reflect such factors as import duties, freight, and commissions. Canada imported about 51,000 metric tons of pork and exported 43,000 tons in 1975. For 1976, imports are projected at 52,000 tons and imports at 45,000 tons.

Provincial and hog marketing board officials are optimistic over long-run prospects for pork exports. Long-term contracts, such as those with Japan, are viewed by Canadian officials as being of great potential benefit to both the hog industry and the nation.

The contracts with Japan were negotiated with Japanese companies at below-market prices, but the bulk of North American (U.S. and Canadian) export sales of pork to Japan are regular commercial sales, primarily to Japanese trading companies.

U.S.-Canadian trade in cattle and beef is expected to move in traditional patterns and in response to market prices. The export-basis price differential is around 5 cents per pound for beef or its equivalent for live animals.

However, because of across-the-border trade to nearby markets, exports occur when price differentials are well below the full export basis.

Traditionally, Canada has exported feeder cattle, slaughter cows, and manufacturing-type beef to the United States. Fat slaughter cows and higher quality beef moved both ways across the border in response to market prices.

In the early 1970's, Canada's exports of feeder cattle to the United States declined sharply, while the country's imports of fat cattle and beef from the United States were increasing.

BEGINNING in the late 1960's and continuing into the 1970's, a new factor was injected into the North American beef market when appreciable increases occurred in Canada's imports of frozen, boneless beef from Oceania.

The United States began importing increasing quantities of boneless beef from Oceania in the late 1950's. Voluntary restraint programs negotiated with the major suppliers of fresh, chilled, and frozen beef limit these imports into the United States on a market-sharing basis.

Canada is trying to limit imports of boneless beef from Oceania by insisting that offer prices for beef to Canadian importers not exceed a reasonable discount below offer prices made to U.S. importers for comparable beef.

Exports of Canadian feeder cattle are expected to increase over the next several years, but exports of slaughter cows this year probably will be well below the 1975 level because culling of herds will not be as severe as in 1975 and more boneless cow beef will be exported to the United States.

Canada's total exports of fresh, chilled, and frozen beef to the United States are projected at 29,000 tons in 1976, compared with 22,000 tons in 1975. The actual level of shipments in 1976 will depend somewhat on the volume of slaughter-cow exports to the United States and Canada's imports of boneless beef from Oceania.

Canada's imports of high-quality beef from the United States are not expected to rise significantly above the relatively low level of 1975. However, imports of U.S. fat cattle are expected to increase over the next few years. This trade will, to some extent, reflect the level of Canadian feeder cattle exports to the United States.

FLOUR OFFICIAL HONORED BY WESTERN WHEAT

Keinosuke Numata, executive board chairman of the Japan Flour Millers Association, was made an honorary member of the Board of Directors of Western Wheat Associates, U.S.A., in Tokyo recently. He is shown receiving his citation from Richard K. Baum, W.W.A. President, as Ron Maas, Tokyo director for the U.S. wheat producers' organization, looks on.

Mr. Numata has over 50 years' experience in the Japanese flour milling industry and has traveled widely in the United States. His personal knowledge of the U.S. wheat industry is credited with much of the success in developing the Japanese wheat market to its high level. Western Wheat cooperates with FAS in market development in Asia.

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The Palm Oil/Soybean Problem

Continued from page 5

per acre of soybeans.

Since oil palm yields a much larger quantity of oil per acre, production costs are low relative to soybeans and other oilseeds grown here.

Palm oil can currently be produced in Malaysia for as low as 6.5 U.S. cents per pound, ex-plant. This cost, of course, includes the cost of extracting the oil from the palm fruit.

We estimate it costs about 2 cents a pound to move the palm oil from the mill to export position in Malaysia. The cost of fobbing and for freight to U.S. ports is estimated to be an additional 1.5 cents per pound. Therefore, Malaysian palm oil can be produced and delivered to U.S. ports at an average cost of about 10 cents a pound. Imported palm oil enters the United States free of customs duty.

Soybean oil customarily is quoted at a Decatur, Illinois, base point; while palm oil is quoted at ports of import. Generally, palm oil begins to sell in large volumes whenever it is priced at the port 2 cents a pound or more below the price of soybean oil at Decatur.

Soybean oil at Decatur can decline to around 12 cents a pound before palm oil sold in the United States is at a price that no longer covers the cost of production in Malaysia. The current price of soybean oil at Decatur is 16 cents a pound.

Palm oil is currently quoted at Gulf ports at 17¼ cents a pound. Since this price is above that for soybean oil, few new purchases are being made. The current price for palm oil at Gulf ports reflects an export tax and an export surcharge totaling about 3.75 cents a pound. The export taxes and surcharges are variable. The Malaysian Government adjusts them upward or downward depending on conditions in the world market.

It is important to recognize, however, that when soybean oil prices decline in the United States, it becomes necessary for soybean meal to carry a larger share of the cost of producing soybeans. This raises the cost of feed to livestock producers.

It is expected that the cost of producing soybeans in the eastern U.S. cornbelt will be about $4.75 a bushel this coming season. Some farmers will say this figure is too low; others may say it is too high. However, it is the best that we now have.

Cost of production figures, of course, vary sharply according to yields per acre. The $4.75 figure includes costs, excluding land, of $2.25 a bushel and a land charge of $2.50 a bushel. Land charges can be figured various ways. This one is a composite—or an average—of the various ways. Despite some uncertainty about it, the cost figure will serve to illustrate the point that I wish to make.

Assuming a production cost of $4.75 a bushel and a crushing charge of 40 cents a bushel—again, some crushers may argue this is too low while others may contend it is a bit high—central Illinois soybean growers and crushers would need to receive the equivalent of $5.15 a bushel from the products derived from 1976 crop soybeans if costs are to be covered.

If soybean oil from the 1976 crop sells at 16 cents a pound, 44-percent protein soybean meal will need to sell for $143 a short ton if all grower and crusher costs are to be covered. At 12 cents a pound, a meal price of $162 is needed.

During the past 12 to 18 months, a disproportionate share of the recent increase in world exports of palm oil has come to the United States due to strong U.S. import demand.

It also may be due to the fact the United States is the only entirely open major import market for palm oil. The United States has no import quotas, and charges no customs duty on palm oil imports.

This is in contrast to the European Community, which charges an import duty of 6 percent ad valorem on imports of crude palm oil other than for technical or industrial uses, 4 percent ad valorem on palm oil for technical or industrial uses, and 14 percent ad valorem on refined oil for food uses. Japan charges an import duty of 8 percent ad valorem on both crude and refined palm oil.

Although the U.S. import duty on palm oil is zero or free, it is not bound at zero or free under the General Agreement on Tariffs and Trade (GATT). It is bound at 3 cents a pound except that imported to be used in the manufacture of iron or steel products or of tin plate or terne plate—estimated to be only about 3 percent of total imports—which has a GATT binding of zero or free rate. Both rates were bound in 1963 to Indonesia.

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